

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

FAILURE OF CAPITOL OIL COMPANY TO)	CASE NO.
COMPLY WITH COMMISSION REGULATIONS)	9659

SHOW CAUSE ORDER

On March 11, 12 and 17, 1986, a comprehensive safety inspection was conducted on Capitol Oil Company ("Capitol") by the Commission's Gas Section. Capitol was cited for numerous violations of the Commission regulations, particularly the gas safety regulations. Based upon these and other violations the Commission is of the opinion that supervision over the operation of Capitol is either inconsistent or fails to exist at all. Capitol uses no odorant and conducts no odorant tests; no regular patrolling of the facilities occurs; no routine maintenance is performed on regulator and relief valves; no main line valve inspections are made; and no corrosion control program exists. Attached as Appendix A is a copy of the 1986 safety inspection which specifically lists each of the violations.

An annual safety inspection was also conducted on Capitol on May 8-10, 1985. At that time Capitol was found to be in violation of several gas pipeline safety regulations. Capitol had no odorization program, no corrosion control program, and none of the

operational and maintenance plans existed. Since no records exist the Commission can only conclude that Capitol's operations and maintenance responsibilities have not been met. Attached as Appendix B is a copy of the inspection report which specifically lists each violation.

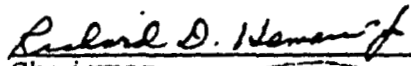
The Commission notes that Capitol failed to respond to the 1985 inspection report, and has also failed to meet a June 1, 1986, response date to the 1986 inspection report. The recommendations made by the inspector in the 1986 report included four specific time periods in which various deficiencies were to be corrected. As in 1985, Capitol has chosen to disregard the Commission's regulations regarding the safe operation of a gas utility and chosen to ignore the Commission's jurisdiction and responsibility.

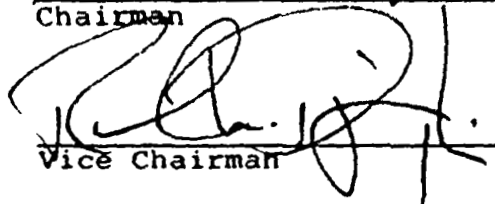
After reviewing the record the Commission is of the opinion and hereby finds that Capitol shall appear before the Commission to show cause why it should not be fined for repeated violations of the Commission's regulations and present evidence that depicts Capitol's schedule to correct those violations listed in Appendices A and B of this Order.

IT IS THEREFORE ORDERED that Capitol shall appear on September 17, 1986, at 9:00 a.m., Eastern Daylight Time, in Hearing Room #2 of the Commission's offices, to show cause why it should not be fined for violations to the Commission's regulations and to demonstrate what corrective actions it intends to take to comply with the regulations.

Done at Frankfort, Kentucky, this 14th day of August, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director



APPENDIX A

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

April 14, 1986

Mr. Alex Fassas, President
Capitol Oil Company, Inc.
P. O. Box 787
Richmond, Kentucky 40475

Dear Mr. Fassas:

Enclosed is a copy of a report concerning the March 11, 12 and 17, 1986, Comprehensive Inspection, which was performed by Jeff Schroeder, on Capitol Oil Company. As you will note several deficiencies were cited.

Dates have been set for compliance actions of all deficiencies. These deficiencies will be inspected on a follow-up basis after the compliance dates. Failure to comply will result in show cause proceedings and possible fines.

Capitol is required to respond to this Report by June 1, 1986, outlining a correction schedule of the cited deficiencies. If you require any clarification on these deficiencies, please contact Mr. Schroeder at (502) 564-5012.

Sincerely,

A handwritten signature in dark ink, appearing to read "Claude G. Rhorer, Jr.", written in a cursive style.

Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR/JMS/lr

Enclosure

R E P O R T

TO: Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services *OR*

THRU: E. Scott Smith, Chief Engineer *ES*
Larry L. Amburgey, Investigator Supervisor *LA*

FROM: Jeffrey M. Schroeder
Utility Investigator

DATE: April 7, 1986

RE: Comprehensive Inspection of Capitol Oil Company

BRIEF

On March 11, 12 and 17, 1986, I conducted a comprehensive inspection of Capitol Oil Company (Capitol). This inspection was conducted in accordance with our goal of inspecting each natural gas utility at least annually. Capitol is an intrastate transmission company as well as a distribution system operating in the Commonwealth of Kentucky. Numerous deficiencies were cited during this comprehensive inspection. They will be discussed in detail later in this Report and compliance dates will be requested for each deficiency.

INSPECTION

Capitol operates a 6" transmission line which begins in Breathitt County at a compressor station. The discharge pressure at the compressor is 155 psig. Capitol's 6" line runs through Breathitt, Wolfe, Morgan and Rowan counties. In Rowan County approximately 90-95% of Capitol's natural gas is sold to Columbia Gas Transmission.

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Near Vancleve, Kentucky, Capitol has a tap with a 2" line that runs 4 miles to Mt. Carmel to serve 5 customers. This is considered a distribution system.

On March 11, 1986, I began this inspection by reviewing maps of the system and discussing our previous inspection with Mr. Alex Fassas, President of Capitol. Capitol did not respond to our report and all correspondence associated with the 1985 inspection. They have also stated that they have not corrected any deficiencies cited in the 1985 report. These deficiencies will once again be cited in this report.

Capitol does not meet any requirements of regulations concerning cathodic protection. They have never had a corrosion control survey performed and have not installed any anodes since the system was originally installed in 1963. Approximately 75% of Capitol's lines run above ground.

On March 12, 1986, I travelled to various sales points, customers meters and the compressor station. Capitol has a tap in Morgan County with a 2" line that serves 8-10 customers. No one claims ownership to this line. A portion of the line has been replaced with 2" plastic. The plastic line has not been buried. Also tied into this line is black water plastic and some gray plastic, which is leaking. Both are unapproved for gas use. This situation must be corrected immediately by replacing the unapproved plastic and burying

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the polyethelene plastic. The company and the customers must decide who owns the line and who must replace it. We recommend that Capitol do the replacement to insure correct installation practices. If no agreement can be reached these customers should not be served under unsafe conditions.

On March 17, 1986, I completed the comprehensive inspection and reviewed all findings with Mr. Fassas. I explained that the deficiencies concerning public safety would have to be corrected immediately. Other deficiencies must be scheduled for compliance.

FINDINGS

After conducting this inspection, reviewing my notes and the previous inspection report I have found the following deficiencies:

1. Failure to respond to any correspondence associated with the 1985 inspection.
2. Polyethelene plastic pipe was found above ground and unapproved plastic was also found.
[807 KAR 5:022, Section 7(12) and Section 2(5)]
3. A casing vent in Mt. Carmel has been cut off allowing water to enter the casing. [807 KAR 5:022, Section 7(13)(d)]

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4. Warning sign needs to be placed at the meter house serving the Bible College. [807 KAR 5:022, Section 14(5)]
5. An odorizer needs to be properly installed to keep a constant flow of odorant. [807 KAR 5:022, Section 13(17)(e)]
6. Odorant test must be taken weekly and recorded on proper forms. [807 KAR 5:022, Section 13(17)(f)]
7. No records are kept for scheduled patrolling of the system. [807 KAR 5:022, Section 14(12)]
8. Regulator and relief valve annual maintenance records are not kept. [807 KAR 5:022, Section 14(21)]
9. Main line valve inspection records are not kept. [807 KAR 5:022, Section 14(25)]
10. Failure to comply with all corrosion control requirements of our regulations. [807 KAR 5:022, Section 10]
11. Operating and Maintenance Plan needs to be updated and improved to be useful to the company. [807 KAR 5:022, Section 13(3)]

12. Operating and Maintenance Plan must include procedures for continuing surveillance, the investigation of failures and customer refund policy for fast meters. [807 KAR 5:022, Section 13(7) and 13(10) and 807 KAR 5:006, Section 9]
13. Emergency Plan must be rewritten to fit the needs of Capitol and its facilities. [807 KAR 5:022, Section 13(9)]
14. A Damage Prevention Program must be implemented including all requirements of this regulation. [807 KAR 5:022, Section 13(8)]
15. A continuing education program for all employees is needed. [807 KAR 5:022, Section 13(9)(c)]
16. Casings throughout the system do not have end seals to prevent water from entering the casing. [807 KAR 5:022, Section 7(13)(c)]
17. Information on Annual Leak Report needs to be reevaluated. [49 CFR 191.17]
18. Failure to comply with Distribution System Annual Report. [49 CFR 191.11]

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RECOMMENDATIONS


It is recommended that Capitol take immediate action to correct the deficiency concerning the 8-10 customers with the unapproved and exposed plastic pipe. Several options are available to Capitol. We request that Capitol keep our staff informed on all actions.

It is further recommended that Capitol prepare an accurate detailed map locating all lines and facilities owned and operated by Capitol. Capitol should provide our office with a copy of same.

It is further recommended that Capitol correct deficiencies numbered 1-9 before June 1, 1986, deficiency number 10 before July 1, 1986, deficiencies numbered 11-16 before August 1, 1986, and deficiencies numbered 17-18 before February 1, 1987. If these compliance actions are not met, show cause proceedings should begin with possible fines being levied.

Finally, it is recommended that a copy of this report be sent to Capitol requiring it respond to the cited deficiencies before June 1, 1986.

Respectfully submitted,



Jeffrey M. Schroeder

JMS/lr



APPENDIX B

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 14, 1985

Mr. Alex Fassas, President
Capitol Oil Company, Inc.
P. O. Box 787
Richmond, Kentucky 40475

Dear Mr. Fassas:

Enclosed for your information is a copy of a Report of an Inspection of Capitol Oil Company, Inc.

Please acknowledge receipt of this Report by July 31, 1985, and include in your response the information outlined in the recommendations.

If you have any questions, please call R. E. Bruflat at (502) 564-7367.

Sincerely,

A handwritten signature in cursive script, reading "Claude G. Rhorer, Jr.".

Claude G. Rhorer, Jr., Director
Division of Utility Engineering
and Services

CGR/REB/lr

Enclosure

- * All sales points
- Road crossings (cased, shorted)
 - customers

R E P O R T

TO: Claude G. Rhorer, Jr. *OK*
Director
Division of Utility Engineering and Services

THRU: E. Scott Smith, Chief Engineer *ES*
Larry L. Amburgey, Investigator Supervisor *LA*

FROM: R. E. Bruflat
Utility Investigator
Gas Section

DATE: June 17, 1985

RE: Inspection of Capitol Oil Company, Inc., (Capitol)

HISTORY AND BRIEF

Capitol was formerly operated as Capitol Oil and Gas Company and has just experienced a change of management.

Mr. Alex Fassas is now President and manager of Capitol. Mr. Edsel McCoun is no longer manager/consultant/operator of Capitol. PATS Service will no longer maintain the system as PATS has been dissolved; but two (2) experienced PATS employees, have been hired by Capitol. Maintenance and operations will be handled from the field office at the Frozen Creek compressor station site in Breathitt County. Administration will be at the Richmond, Kentucky, office.

Capitol remains on the Commission's (KPSC) utility list as a jurisdictional intrastate operator subject to KPSC safety and service regulations. The KPSC gas pipeline safety program schedules an annual comprehensive inspection to determine each

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Page Two
June 17, 1985

operators compliance status. This Report will review present status and make those recommendations considered as necessary to Capitol's proper compliance efforts.

INSPECTION

On May 8, 1985, I contacted Mr. Fassas from his Richmond office. He outlined the management changes and made requested maintenance records available. After reviewing the records I went to the PATS office in Jackson where Mr. McCoun confirmed the changes and referred me to PATS (former) employee Danny Gillam who is/will be the fieldman in Capitol's continued operations.

Mr. Gillam and I then made stops at Mt. Carmel High School service site (Attached Photo Page 1), Capitol's compressor station installation (Attached Photo Page 2) and the newly installed dehydrator (Attached Photo Page 3).

On May 9, 1985, Danny Gillam and his co-worker Lester Gillam accompanied me on the pipeline inspection. We stopped at various road crossings, valve sites and sales points (Attached Photo Page 4). I used the flame ionization gas detection unit for a leak survey at Red River Elementary School, on its service line where the line had been broken (Third Party Damage) and repaired, its meter house and then across the highway to the Hazel Green/Elam meter house--no leaks were detected.

On May 10, 1985, I conferred with Mr. Fassas at his Richmond office. Maps were studied and the available plans were reviewed.

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June 17, 1985

FINDINGS

A review of the above, the attachments, our records and my notes reveals that:

1. Capitol's management needs to review the status, availability and use of the required Operating and Maintenance Plan ("O & M") -- 807 KAR 5:022, Section 13(2)(b) and (3); Emergency Plans ("E") -- 807 KAR 5:022, Section 9 and the Damage Prevention ("DDP") -- 807 KAR 5:022, Section 8.
2. Capitol needs to avail itself of a qualified pipeline corrosion control person, have the required corrosion surveys made and update its maps and records -- 807 KAR 5:022, Section 10.
3. Capitol needs to evaluate its procedures and records of/for meeting the odorization requirements [807 KAR 5:022, Section 13 (17)] in its customer service lines [807 KAR 5:022, Section 1(2)(u)].

RECOMMENDATIONS

With reference to the above findings it is recommended that:

1. Capitol furnish KPSC the following information:
 - (a) Number of copies of its:
 - O & M Plan
 - E Plan
 - DPP;

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Page Four
June 17, 1985

- (b) List of responsible personnel (names and/or job titles) having copies of O & M, E and DPP plans;
 - (c) Extent of employee training and public information ongoing and/or planned in accordance with the requirements of the O & M, E and DPP plans; or
 - (d) The plans and intentions of having the updated/revised plans ready and available for review and approval.
2. Capitol furnish KPSC with a scheduled plan for compliance with the corrosion control requirements.
 3. Capitol furnish KPSC with a scheduled plan for compliance with the natural gas odorization requirements.

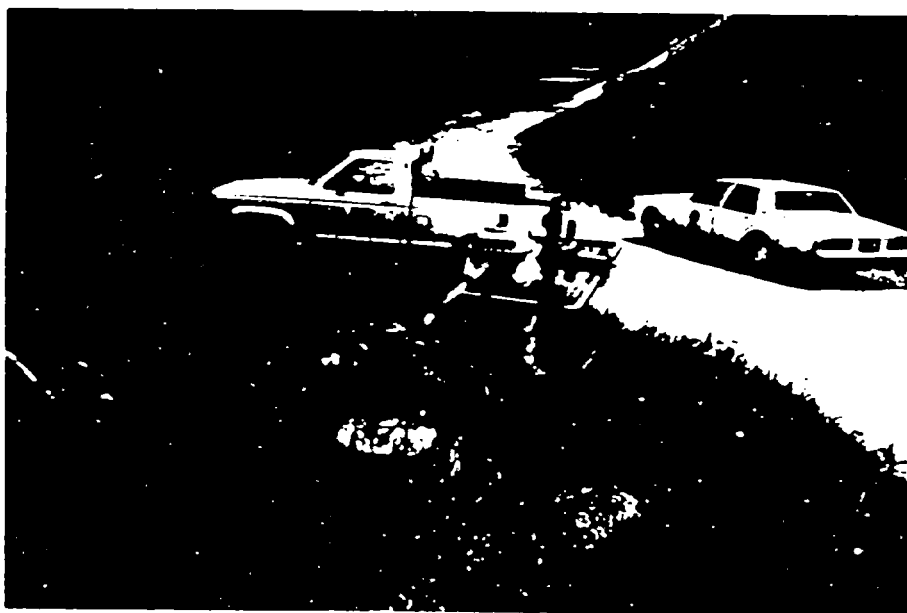
Finally, it is recommended that Capitol be furnished a copy of this Report with a request for acknowledgement of receipt thereof by July 31, 1985, and for a detailed response addressing the above listed recommendations 1., 2. and 3. by giving us information, plans and schedules.

Respectfully submitted,

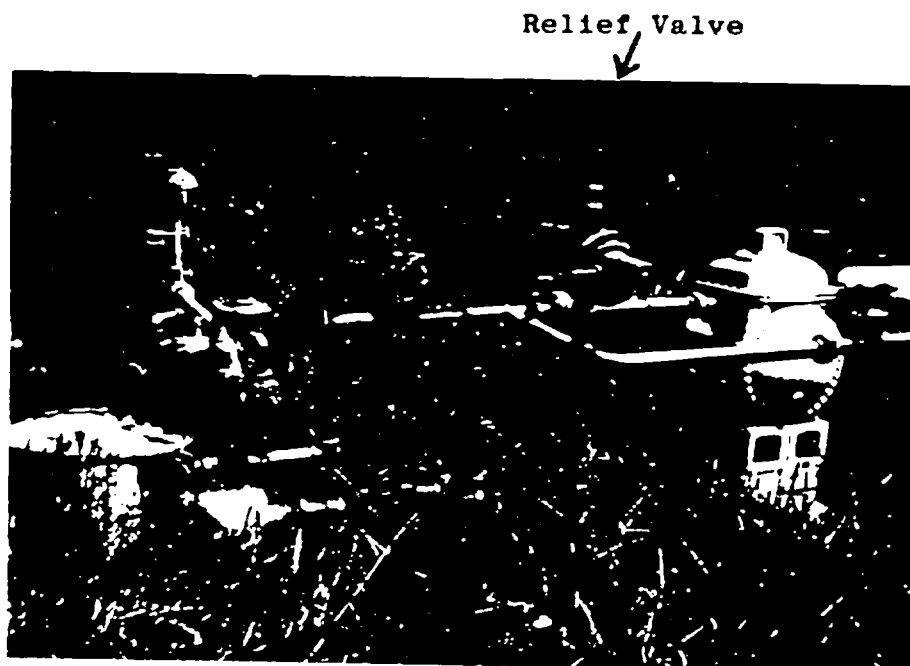

R. E. Bruglat

REB/lr
Attachments

Capitol Oil Company, Inc.
May 8, 1985
Mount Carmel High School-Large Volume Meter



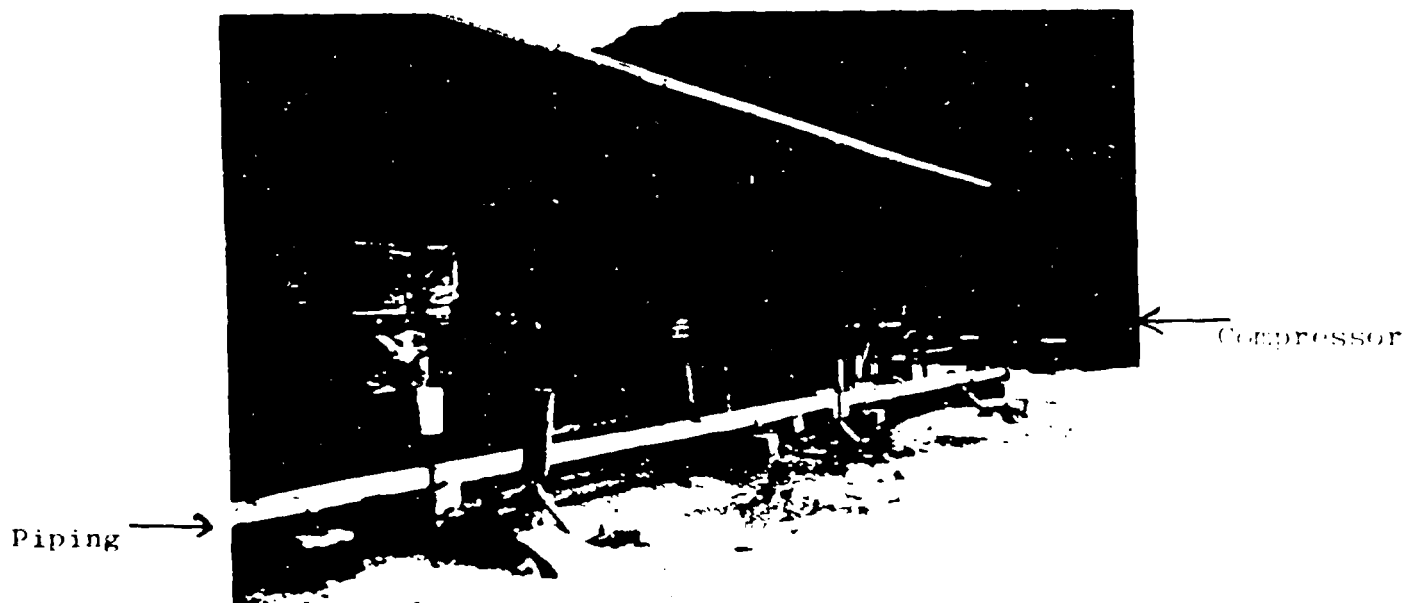
Two views of
customer service
meter setting
site



Relief Valve

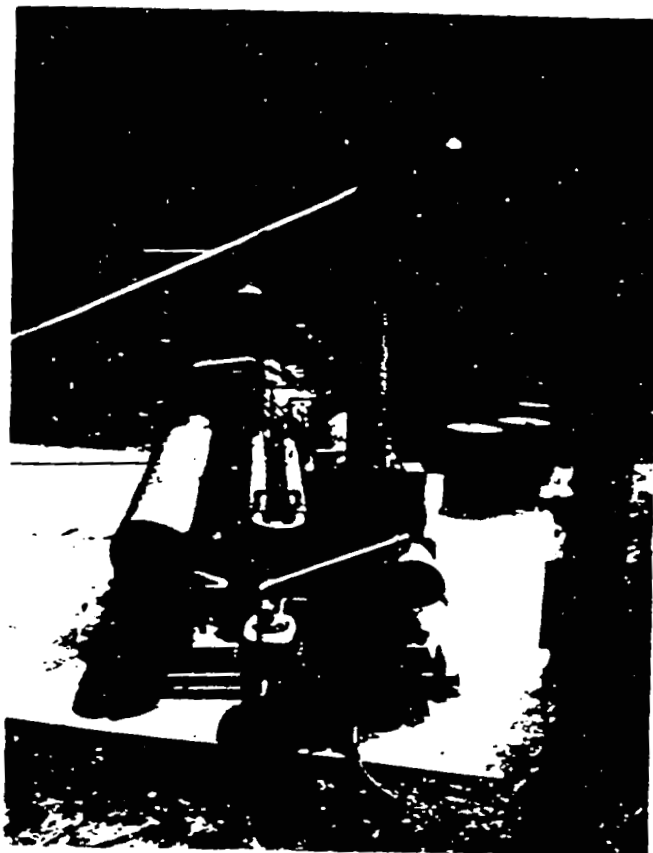
Drip Blowoff

Capitol Oil Company, Inc.
May 8, 1985
Compressor Station



Capitol Oil Company, Inc.

May 8, 1985

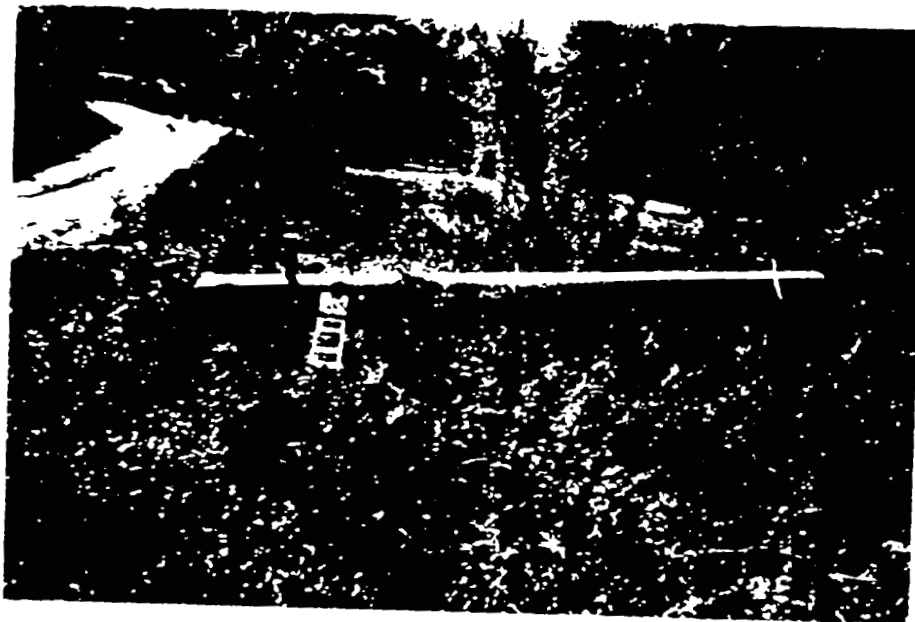


← Recently (1984) installed
dehydration unit

Main line valve installations
at dehydration site

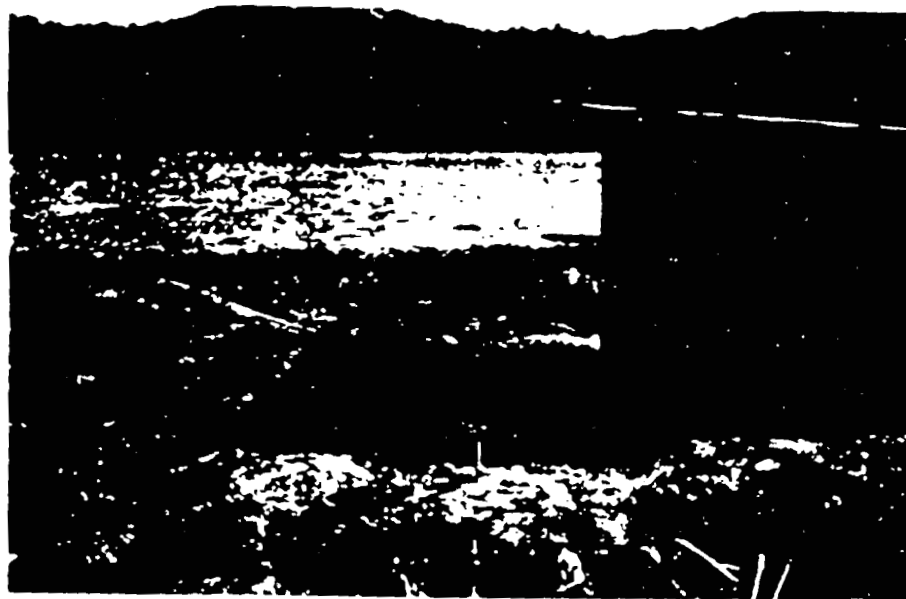


Capitol Oil Company, Inc.
May 9, 1985



Methanol
(anti-freeze
tank at
main line
valve location

Sales point to
Hazel Green
Academy and to
Elam Utility's
Daysboro System



Meter
House